



STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

MICHAEL R. DEVOS
EXECUTIVE DIRECTOR

MEMORANDUM

To: Authority Board Members
From: Michael R. DeVos *ma*
Date: December 6, 2007
Subject: Qualified Allocation Plan (QAP) - Final Staff Recommendations

I am recommending approval of the Qualified Allocation Plan (QAP) using 25% of the 2008 Low Income Housing Tax Credit under the 2005-06 QAP for final approval by the Board and the Governor. A resolution to that effect is included with this memorandum.

In your Board Docket of November 28, 2007 was a memo from me detailing the changes staff made to the QAP as it was sent out to Board Members before that meeting. As staff and I discussed with you during the various sub-committee meetings during the week of November 25th, we made several changes to that document based on continuing requests from stakeholders that we were unable to incorporate into the QAP before we distributed the dockets during the week of November 18th.

It was my intent to go over those additional changes during the Board meeting on November 28, 2007, but since the QAP was tabled that did not occur. Additionally, since the November Board meeting, we have continued to field requests from stakeholders for additional changes. We also discovered several typographical errors during final proofing of the document.

This memo, therefore, outlines the additional changes we made to the QAP that were to be discussed at the November Board meeting and also outlines my additional recommendations on other changes to address requests made since the Board meeting and to take care of scrivener errors.

I will first list out the changes that appear in your current version of the QAP. I will then list out my recommendations on additional changes for your consideration. Those changes are also incorporated in the Resolution accompanying this memorandum.

I. Corrections Already Noted in QAP:

A. P. 8 – Added reference to scoring summary at recommendation of counsel.

B. P. 13 – Added single project cap of \$750,000 for DHHP projects – based on recommendation from stakeholders.

C. P. 17 – Revised language on supportive housing units regarding time limits that units may be held vacant, 60 days for initial rent-up and 30 days thereafter. Added language that projects receiving vouchers will be underwritten consistent with HUD requirements – based on stakeholder recommendations and recently released HUD Regulations governing project-based vouchers.

D. P. 20 - #20 – Corrected single-family language to be consistent with IRS Code.

E. P. 28 – Changed the appraisal requirement so it will refer to a Policy Bulletin – at suggestion of stakeholder.

F. P. 30 – Added language expressing MSHDA's intent to award project-based vouchers.

G. P. 31 – Corrected the reference to the number of applications that can be submitted to "five" to be consistent with Section II(B) on P. 10 of the QAP.

We also made a correction to the Scoring Summary to address a wrong reference that can be found on P. 7 of the Scoring Summary. The reference was the number "8" and it should have been the number "5".

II. Recommendations for Additional Changes:

A. Typographical Corrections – P. 8, Section III, add a comma after the phrase "In accordance with Section 42 of the IRS Code"; P. 10 – delete the word "or" on the last line; P. 11 – delete the letter "n" in second footnote and delete "in" in the word "Within" on the first paragraph following the series of footnotes; P. 13, 2(c) delete the word "to" and add the word "for" in the second line; P. 14 – 3(a) should read: Affordable Assisted Living (AAL); P. 16 – the word "the" in the middle of the capitalized paragraph, 6 line should be deleted; P. 17 – in the first full paragraph the word "Tenants" should be Tenant(s); P. 23 the reference to the IRS Code section should be changed to Section 42; P. 26 in the second paragraph of Section XI there should be a comma added before the phrase "the credit dollar..."; and on P. 35 - the title to Section XX should read "Combined Application, Policy Bulletins and Addenda".

B. I am also recommending the following additional changes to the QAP:

1. Except Threshold Requirement #1 for Pass-Through developments and clarify that voucher assistance is not available for these developments from MSHDA (P. 16).

2. Add a clarification to those sections of the QAP providing an absolute preference for preservation stating as follows: "For purposes of this QAP and this Holdback, preservation projects shall be given first priority and ranked ahead of all other projects subject to meeting all threshold requirements of the QAP" (P. 13 and 14).

3. In that same vein, I am recommending adding a new Section to the Introduction, Section J, that will address MSHDA's commitment to preservation of affordable housing. The language reads as follows:

J. Affordable Housing Preservation:

The preservation of existing affordable housing units is a vital public policy objective. In addition to LIHTC resources, MSHDA allocates MSHDA Preservation Fund loans, federal HOME grants and multi-family direct loans toward this objective. By dedicating significant resources to preserve existing affordable housing units, MSHDA protects the State of Michigan's historical investment in affordable housing. Today's investment ensures that these units can remain affordable rather than be lost to high cost housing conversions, gentrification, abandonment or demolition. In fact, the costs to preserve affordable housing are significantly lower than the costs to build new housing.

4. Add language in Threshold Requirement #1, second full paragraph (P. 17) that projects utilizing project-based vouchers applies to Supportive Housing Tenants, so it now will read: "For developments that utilize project-based vouchers for Supportive Housing Tenants,".

5. Change the submission date for the December round from December 17, 2007, to December 28, 2007, to allow additional time for applicants to submit LIHTC applications (P 10).

With your approval of these changes, staff will incorporate them into the QAP and complete the final version for submission to the Governor for consideration and approval.